



**Non-Action Item**  
**April 2015 SOCWA and SOCRRRA Quarterly Reports**

May 11, 2015

The Honorable Mayor Ellison and  
Members of the City Commission:

Attached are the quarterly reports for SOCRRRA and SOCWA (Attachments 1 and 2). If you have any questions, please advise my office.

Respectfully submitted,  
Greg Rassel  
Director of the Departments of  
Public Services and Recreation

Approved,

A handwritten signature in black ink, appearing to read "Donald E. Johnson".

Donald E. Johnson  
City Manager

2 Attachments



\* Berkley \* Beverly Hills \* Bingham Farms \* Birmingham  
\* Clawson \* Huntington Woods \* Lathrup Village \* Pleasant Ridge  
\* Royal Oak \* Southfield \* Southfield Township

## QUARTERLY REPORT APRIL 2015

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April 2015

Board of Trustees  
Southeastern Oakland County Water Authority

Subject: Quarterly Report – April 2015

Board Members:

Attached is a copy of the Southeastern Oakland County Water Authority's Quarterly Report covering the first nine months operation of the fiscal year 2014/15. The report contains a financial statement of the Authority's operation and an outline of projects in progress or completed during the quarter. The report also contains statistical information and other information of general interest to the members of this Authority.

### **FINANCIAL STATEMENT**

The total net operating loss before depreciation for the first 9 months of 2013/14 was \$265,276, which is \$1,211,364 less than planned net income and \$638,286 less than the net income for the first 9 months of 2013/14.

	Actual	Compared to Budget
Revenue	\$ 15,972,949	- \$ 2,800,401
Expenses	\$ 16,223,350	- \$ 1,589,037
Net Income (before depreciation)	-\$ 265,276	- \$ 1,211,364

The decrease in revenue was primarily due to lower than planned water sales (-\$2,747,000), rentals (-\$25,000), interest on investments (-\$8,000) and miscellaneous revenue (-\$6,000). We do not have any grant funding for the Healthy Lawn and Garden program this year. The reduction in grant revenue is offset by a corresponding reduction in grant expenses. The decrease in expenses was primarily due to lower than planned water purchases (-\$1,239,000) and lower than budgeted expenses for non-labor Administrative & General (-\$151,000), labor (-\$99,000), utilities (-\$52,000), maintenance (-\$36,000) and supplies (-\$20,000).

Water sales for the first 9 months of the current fiscal year are summarized in a table below. The total water sales for the fiscal year to date are 13.0% below budget and are 6.0% lower than the sales for the same period in 2013/14. Lower water sales are the primary reason for the operating loss for the first 9 months of the fiscal year.

Capital expenditures for the first nine months of the fiscal year totaled \$343,701 and were primarily for the final expenses for the painting of the 7.5 million gallon reservoir at Webster Station (\$339,500).

# Attachment 1

As of March 31, 2015, our working capital was 12.5% based on unrestricted assets. This is higher than the working capital policy level of 8.3% which was established by the Board but significantly lower than the level of working capital as March 31, 2014.

The following is the Authority's record of expenditures based on the average cost per 1,000 cu. ft. of water.

	2012/13	2013/14	2014/15	Over or Under 2013/14
Water Purchased for Resale	\$13.42	\$14.60	\$15.68	+ 1.08
Operating Expenses	1.40	1.42	1.46	+ 0.04
Fixed Charges	0.04	0.03	0.02	- 0.01
	\$14.86	\$16.05	17.16	+ 1.11

Additional financial detail is attached.

## **COMPARATIVE STATEMENT**

The following is a comparison of the first nine months operation of the current fiscal year with the same period of the previous fiscal year.

Revenues From the Sale of Water	-\$447,179	
Revenues From Other Sources	- <u>56,343</u>	
TOTAL REVENUES		-\$503,522
<u>Operating Expenses</u>		
Water Purchased for Resale	+\$193,678	
Other Operating Expenses	- 44,908	
Fixed Charges	- <u>14,006</u>	
TOTAL EXPENDITURES		+ <u>\$134,763</u>
NET INCOME BEFORE DEPRECIATION		-\$638,285

The decrease in revenue for the sale of water was due to the significantly lower water sales to both SOCWA members, Bloomfield Hills and Bloomfield Twp. The decrease in expenses is the result of decreased water purchases and reduced operating costs in all areas.

# Attachment 1

The following is the record of SOCWA water sales for the period July 1, 2014 to March 31, 2015. The nine month record shows a decrease in water sales of 6.0 % during the current fiscal year compared with the same period of the previous fiscal year. It is important to remember that the water sales for 2011/12 and subsequent years include the sale of water to Bloomfield Twp.

<b>WATER CONSUMPTION – DAILY AVERAGE (MGD) JULY 1 THROUGH MARCH 31</b>						
Month	10/11	11/12	12/13	13/14	14/15	Over or Under 13/14
July	34.23	53.25	52.33	35.92	36.61	+ 0.69
August	36.47	40.61	43.25	38.34	32.91	- 5.43
September	28.83	32.13	38.20	32.31	28.27	- 4.04
October	21.99	24.90	25.70	24.58	23.09	- 1.49
November	19.13	22.36	22.03	21.63	21.76	+ 0.13
December	19.45	22.39	21.60	21.89	21.24	- 0.65
January	19.75	22.30	22.49	23.81	22.37	- 1.44
February	19.92	21.96	21.87	24.19	22.92	- 1.27
March	19.50	22.00	21.76	23.51	23.04	- 0.47
Million Gals./Day	24.33	29.16	29.89	27.39	25.74	- 1.65
Variance	+3.5%	+19.9%	+2.5%	-8.4%	-6.0%	

The following is the precipitation record, as recorded at the Webster Station:

<b>PRECIPITATION – INCHES</b>					
Month	10/11	11/12	12/13	13/14	14/15
July	4.95	3.40	3.80	3.00	2.70
August	0.25	3.30	4.30	3.30	7.20
September	2.70	7.80	2.00	2.00	2.20
October	2.20	3.20	1.70	3.10	1.70
November	4.30	5.60	0.72	2.40	2.40
December	0.70	3.10	0.00	3.60	1.20
January	2.20	2.60	1.90	1.30	2.60
February	5.75	0.40	2.10	0.70	1.20
March	<u>3.20</u>	<u>2.10</u>	<u>1.00</u>	<u>0.80</u>	<u>0.40</u>
Total:	26.25	31.50	17.52	20.20	21.60

## **MAJOR PROJECTS**

### **DWSD WATER RATES**

A rate increase to SOCWA of 19.0% has been approved by the Board of Water Commissioners and will be effective on July 1, 2015. The proposed rate for the SOCWA member communities for 2014/15 is increasing by 14%, which is significantly lower than the DWSD increase due to the reduced costs of SOCWA's operations.

The reasons for the very large increase in DWSD's water rates is DWSD's continued decline in water sales volumes (51% of the rate increase), the loss of Flint as a DWSD customer (30%) and cost reallocations due to customers taking action to reduce peak water demands (19%).

DWSD's overall water budget did not change from 2014/15. This is despite the fact that the 2015/16 budget includes the \$22.5 million lease payment from the GLWA to the City of Detroit and approximately \$2 million for funding the Residential Water Assistance Program. A simple explanation of DWSD's rate increase is that the rates are determined by dividing DWSD's costs by the expected sales volumes. If DWSD's costs are unchanged but there are significantly lower sales volumes, the cost per thousand cubic feet will increase.

DWSD used a two year average to develop their projected sales volumes for 2015/16 instead of the contract volumes which had been used in previous years. The last two years have included unusually low summer water sales volumes due to cool, wet summer weather. The sales volume projected by DWSD is 9% lower than the sales volume used for the 2014/15 rates. As a result, the customer communities that typically have a significant sprinkling demand in the summer months, including SOCWA, saw a significant reduction in their projected sales volumes and a significant rate increase. I believe that using an average of the last 2 years is too conservative and results in a higher than needed rate increase. I will be proposing to use a 3 year average to develop SOCWA's rates.

This very large rate increase does not violate either the 4% commitment that has been made by DWSD or the 4% commitment that is included in the GLWA Memorandum of Understanding. Both of these commitments were made as limiting DWSD's (or GLWA's) budget increase to 4%. In the previous 2 years, DWSD was able to deliver a reduction in their budget, which enable them to limit the rate increase to 4%.

Despite the DWSD budget being unchanged from 2014/15, I believe that the budget is very conservative and should result in excellent financial performance for 2015/16, especially if we experience fairly normal weather this summer. The budget for 2015/16 also continues to build up DWSD's reserves and to increase the amount of revenue generated from rates to perform construction projects. This should help to defer DWSD's need to conduct future bond offerings.

### **DWSD ISSUES**

Major changes are taking place at DWSD with the formation of the Great Lakes Water Authority (GLWA). The GLWA was set up at the end of 2014. The current plan is that the GLWA and the City of Detroit will negotiate a lease of the DWSD assets that will be used by the GLWA during the first half of 2015 and that the GLWA will begin operations as of July 1, 2015. This will probably result in DWSD being split into two organizations, the GLWA and the City of Detroit retail system. The City of

Detroit will become a wholesale water customer of the GLWA. Between now and June 30, 2015, the Board of Water Commissioners will continue to be responsible for the operations of DWSD including setting the rates for 2015/16. The Board of Water Commissioners will probably cease to exist when the GLWA becomes operational.

I have attached two publications to this report regarding the GLWA. The first is a summary of the events that are taking place as the GLWA is established. The second is a series of questions and answers regarding the GLWA and the relationship between the GLWA and DWSD. I am serving on two of the GLWA Study Groups referenced in the attached publications. A number of other DWSD customers are also involved in the work being conducted to establish the GLWA. At the insistence of SOCWA, the activities of the study groups are being conducted in public meetings except for items that are subject to confidentiality orders by Judge Cox.

The GLWA Board is holding a monthly meeting and a monthly workshop and they are focusing mostly on organizational issues. The GLWA website, [www.glwater.org](http://www.glwater.org), is being used to post all Board meeting agendas and all procurement information. The GLWA is taking steps to be as transparent as possible.

Bob Daddow, the chair of the GLWA Board and Oakland County Deputy Executive, will be addressing the SOCWA Board regarding the GLWA at their April meeting.

In the midst of all of the changes discussed above, DWSD is continuing their long term organizational improvement plan and they have filled several high level managerial jobs with external hires. Their total number of employees is continuing to decrease through attrition.

SOCWA staff is continuing to participate in the DWSD Customer Outreach Process. I have been re-elected as one of four elected customer co-chairs of the Technical Advisory Committee that guides this process. I am also serving on a customer group that is working with DWSD to update their water master plan, which is about 10 years old. This plan was developed with only minor customer input and a number of key demographic assumptions that need to be updated to reflect the changes in the region in the last 10 years. This plan will be completed by June 30, 2015.

Significant progress has been made in improving the level of communication and understanding between DWSD and its customers through this process, which will be a continuing effort. SOCWA continues to be a strong proponent of DWSD's customer partnering process.

The City of Flint discontinued the purchase of DWSD water in April of 2014 and they are running their own water treatment plant using the Flint River as source water. Flint has had a number of significant water quality issues, including violations of the Safe Water Drinking Act, as a result. Genesee County is continuing to purchase DWSD water while they are constructing a new water supply system for Flint and Genesee County using Lake Huron water. DWSD has offered to resume water supply to Flint at the rates that were proposed for 2014/15.

## **SALE OF WATER TO BLOOMFIELD TWP.**

As part of our water sales contract with Bloomfield Twp., the Township is required to build an interconnection with the SOCWA system. The Township developed a plan to use our existing interconnection with Bloomfield Hills to also supply a portion of the Township system. The

construction required by this plan has been completed and SOCWA is directly supplying a portion of the Bloomfield Twp. and Bloomfield Hills systems. We have completed an engineering study that determined that this interconnection will have no effect on the SOCWA supply to Birmingham. We will be adjusting how this interconnection is operated this spring in order to verify the findings of our engineering study. We have also refurbished an existing meter vault that supplies Birmingham in order to improve the security of the SOCWA supply to the Birmingham system.

Respectfully submitted,

Jeffrey A. McKeen, P.E.  
General Manager



# History in the Making: Creating a Water Authority for the Region



September 9, 2014, will go down as one of the most significant dates in the histories of Metro Detroit and Southeast Michigan. On that date, the Incorporating Municipalities that include the City of Detroit, the Counties of Macomb, Oakland and Wayne, and the State of Michigan signed a Memorandum of Understanding (MOU) that paved the way for the formation of a groundbreaking regional water Authority designed to leverage the assets of the Detroit-owned water and sewerage systems.

The Great Lakes Water Authority (GLWA) was formally approved on October 10, 2014. The proposal to create a regional Authority that would assume operation and control of the Detroit water and sewerage systems was a central part of Detroit Emergency Manager Kevyn Orr's plan of adjustment in taking the City out of bankruptcy.

The MOU calls for the new Authority to provide lease payments of \$50 million annually in exchange for management of the systems. The payments will fund the operation and maintenance of the City of Detroit's water and sewer infrastructure. DWSD-Retail (DWSD-R is a term being used during the interim period) will be responsible for maintaining and repairing infrastructure within the City limits. The GLWA will assume responsibility for operations and maintenance for water and sewer infrastructure supplying wholesale customers across the region.

A six-person board was established for the GLWA, comprised of one member from each County, one from the State of Michigan and two from the City of Detroit. All board members were appointed by January 7, 2015. A "super majority" of five votes is required to approve major decisions, such as those involving rates, capital improvements and other matters as set forth by the Authority.

## Steps Required to Stand Up the GLWA

The MOU established a 200-day schedule from the date of the GLWA's first board meeting to get the Authority running independently. This schedule equates to a "stand-up" date of July 1, 2015.

Numerous steps must be taken before a final lease agreement can be crafted to provide the framework needed to get the GLWA ready for its official launch. A Program Management Office (PMO) will shepherd, along with various system stakeholders, the completion of these steps and to provide the GLWA Board with information needed to make critical decisions.



## GREAT LAKES WATER AUTHORITY

### Key Groups and Guiding Documents

**GLWA (Great Lakes Water Authority):** Regional Authority being created to serve all wholesale water and wastewater customers of the Detroit Water and Sewerage Department and the City of Detroit.

**DWSD-R (Detroit Water and Sewerage Department-Retail):** The department that will operate and maintain the local water and sewer infrastructure serving Detroit's retail customers.

**PMO (Program Management Office):** Staff from three consulting firms are providing support services needed to key stakeholders participating in planning for stand up of the GLWA. The PMO is located on the 11th floor of the DWSD Water Board Building.

**MOU (Memorandum of Understanding):** The legal agreement signed by Oakland, Wayne and Macomb Counties, the State of Michigan, and the City of Detroit on September 9, 2014, outlining the requirements to create the GLWA and DWSD-R.

**Study Groups:** Four groups representing the functional areas of the GLWA to support completion of the work outlined in the MOU. Groups are comprised of members identified by the Counties and DWSD including subject matter experts (SMEs).

**Coordinating Group:** Group that reviews Study Group deliverables, monitors master schedule progress and provides the GLWA Board of Directors with information for decision-making.

**GLWA Board of Directors:** Decision-making body for GLWA formation and future operation.

**Basecamp:** Internal project website maintained by PMO to store Study Group documents and monitor the master schedule. The site can be accessed by members of Study Groups, the Coordinating Group and the GLWA Board.

# Attachment 1

Program management is a project delivery method typically used to manage large capital improvement programs. It temporarily provides specialized expertise and resources to manage a short-term increase in workload. In the case of the GLWA, the PMO is providing resources to DWSD and the GLWA Board. These resources are supporting the founding members of the GLWA and system stakeholders as they take on extra activities to launch the GLWA.

The PMO is overseeing completion of activities outlined in the MOU as well as a broad range of other efforts required for formation and successful implementation of the GLWA. This includes managing the schedule and document storage, facilitating meetings and maintaining an internal program website. A public website ([www.glwater.org](http://www.glwater.org)) was also developed by the PMO and is being maintained by DWSD. Eric Rothstein, CPA, of Galardi Rothstein Group, is serving as the GLWA Implementation Planning Program Manager guiding development of the regional Authority. OHM Advisors and Project Innovations are providing the support services.

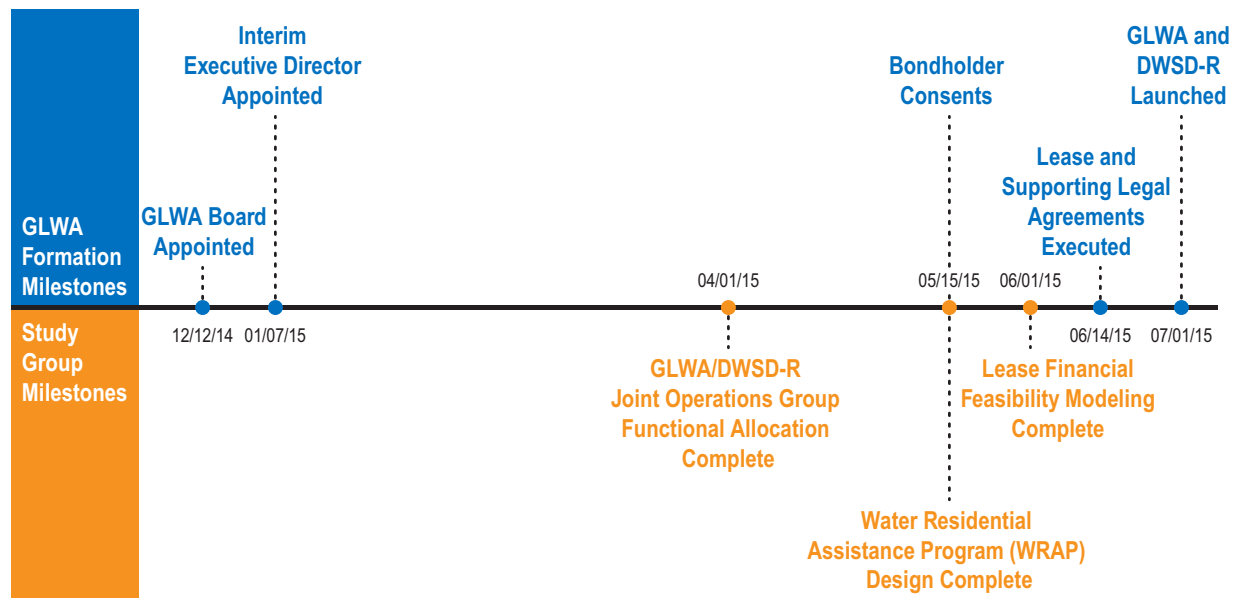
From an operational perspective, the most complex and daunting activity involves separating DWSD into the wholesale and retail service delivery providers of the GLWA and DWSD-R. The City of Detroit retains the right to keep employees and continue to operate, maintain, repair and improve its local system. The GLWA will have operational and rate-setting responsibilities for water and sewage treatment plants, major water transmission mains and sewage interceptors, and related facilities.

From a financial perspective, the MOU calls for developing a lease between the City of Detroit, who will retain ownership of the system, and GLWA for its use of the water and sewerage systems. The lease will have an initial term of 40 years and provide for allocation of \$50 million per year of revenue-financed capital for City of Detroit retail system capital improvements. The MOU also provides for funding of a Water Residential Assistance Program (WRAP) equal to 0.5% of the base operating revenues each year to assist low income residential customers throughout the system. This equates to \$4.5 million in program funding for fiscal year 2016. The annual system lease payment to Detroit and the WRAP contributions are to be shared by all system users as what is termed a “common-to-all” expense.

The MOU assumes that revenue requirement or budget increases for water and sewerage services will not exceed 4% each year for the first 10 years under Authority management. Revenue requirements are NOT the same as rates. Revenue requirements reflect the overall costs of the system and are a primary component of the rate formula, but are not the sole determinant of rate increases. Rate increases depend on the volumes of water sold (or wastewater managed) that ultimately impact the retail unit price, the number and types of customer accounts, and other factors.

The State of Michigan also has a role in standing up the GLWA. The State provided \$3.8 million in Competitive Grant Assistance Program (CGAP) funding to help pay for transition costs including

## Milestones in GLWA Formation



The PMO is managing the completion of key milestones undertaken by Study Groups and the GLWA Board of Directors to launch the GLWA and DWSD-R in the 200-day timeframe.

financial, legal, and engineering consultant contracts and the PMO. The State also agreed to identify ways to facilitate the GLWA's access and eligibility for State Revolving Fund loans and will assist with permit matters. This includes transfer of the current wastewater treatment plant discharge permit and associated Administrative Consent Order.

## **Detroit's Immense Water and Sewerage Systems Provide Challenges and Opportunities**

The Detroit water system includes five water treatment plants and a network of transmission mains and pumping stations that supply drinking water to 126 suburban communities. The sewage disposal system includes regional interceptors that collect sewage from 76 communities and transport it to a single wastewater treatment plant, as well as pumping stations and combined sewer overflow retention treatment basins.

The vast systems' aging infrastructure presents the GLWA Board with an immediate challenge to strategize and prioritize capital improvement projects. How to appropriate funds will be of paramount importance on July 1. With such a pressing need to address infrastructure, the GLWA Board has an opportunity to demonstrate how a regional Authority can work collaboratively, efficiently and effectively in tackling high priority items that affect millions of customers.

## **DWSD Staff, Detroit Staff and Stakeholders Do the Heavy Lifting**

Several Study Groups have been created to complete the detailed analyses required to develop the lease and shared services agreements between the City of Detroit and GLWA. These Study Groups, which cover both GLWA and DWSD-R activities, report their findings to a Coordinating Group that evaluates and forwards information to the GLWA Board as well as the City of Detroit Mayoral Office. The Coordinating Group meets every other week focusing on a master program schedule developed by the PMO to track progress on key work items. The GLWA Board officially

meets once a month and holds workshops and committee meetings as needed to review, evaluate and discuss work activities.

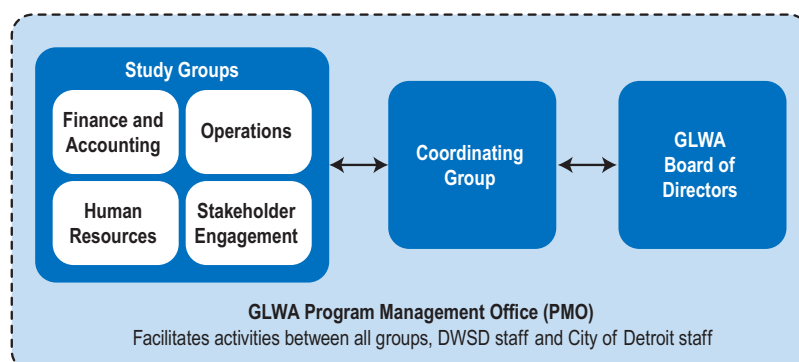
Currently, more than 40 organizations and 150 people are involved in the stand-up effort. Study Groups are composed of 15 to 30 individuals including staff members of each of the Incorporating Municipalities, DWSD and representatives of current DWSD customer communities. The Coordinating Group includes representatives of each of the Incorporating Municipalities and is supported by a number of staff and consultants that facilitated negotiation of the MOU and developed the GLWA Articles of Incorporation.

The Finance and Accounting Study Group has several assignments including determining the accounting treatment of the GLWA formation and asset lease; developing preferred approaches to obtain bondholder consent for the assignment of DWSD debt to the GLWA; and determining how the GLWA and DWSD-R will collaborate to manage financial arrangements going forward.

The Operations Study Group and associated work teams are performing the legwork to allocate assets and operational responsibilities – a significant task considering DWSD's water infrastructure serves a 1,079-square-mile area and wastewater infrastructure serves a 946-square-mile area. The groups are reviewing DWSD, function by function, to determine how the GLWA and DWSD-R systems should work. For example, the groups are defining how Field Services will be coordinated to ensure delivery of service levels with the GLWA handling wholesale customer infrastructure and DWSD-R handling retail infrastructure.

The Human Resources (HR) Study Group is reviewing options for benefits, retirement plans, and compensation plans for both the GLWA and DWSD-R, as well as considering implications of the prospective transition for collective bargaining agreements. The groups are also building on HR

## **Flow of Information During GLWA Formation**



*Information flows between all groups involved in creation of the GLWA. The PMO facilitates activities between all groups serving as a repository of all work, providing scheduling oversight and facilitating meetings to keep work activities on target. The Coordinating Group serves as a clearinghouse that reviews information and forwards it on to the GLWA Board for decision making and incorporation into the final agreements.*

practice reforms identified as part of DWSD's internal optimization effort. A plan will be developed to transition employees to GLWA and DWSD-R and share information about how these new entities will function. Employee communication is a priority as the new organizations evolve.

The Stakeholder Engagement Study Group will identify the WRAP components. They will also look at how the Water Technical Advisory Committee (TAC) and Wastewater Steering Committee can be used in the GLWA's future outreach process.

## Creating a Financial Framework to Move Forward

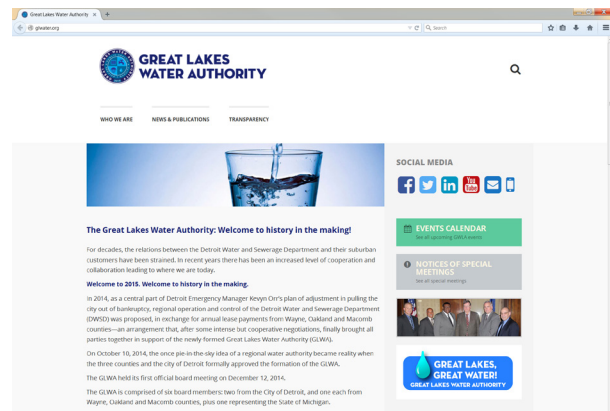
Defining the options to provide a feasible lease agreement requires careful analysis and evaluation of accurate and timely financial information. This effort is being supported by the ongoing work of DWSD staff, as well as consultants hired by the GLWA to address fundamental issues. Plante Moran has been engaged to assess alternative accounting treatments of the GLWA and DWSD-R and to construct a cash-flow analysis model to evaluate lease feasibility. Gabriel Roeder Smith is providing actuarial information to assess the prospective Unfunded Accrued Actuarial Liability of the prospective GLWA and DWSD-R entities. Ernst & Young is supporting development of the DWSD-R financial management infrastructure and retail rate modeling tools. Veolia North America is helping to prioritize retail system capital projects and support efficient implementation of high-priority projects.

The GLWA's financial framework will continue to provide flexibility to achieve efficiencies and improve service levels. For example, DWSD's move from debt to cash financing for Capital Improvement Program (CIP) projects will facilitate payment of lease obligations and enable greater flexibility for strategic financial planning down the road.

The GLWA aims to create a strong financial framework for the region's ratepayers. This framework will enable the region to capitalize on profound opportunities to realize cost savings, optimize our water and sewer infrastructure, and promote rate stability.

## A Rigorous Schedule for a Lease Agreement

Study Group members will work diligently through June completing assignments to facilitate lease negotiations and develop shared service arrangements between the GLWA and the City. A series of milestones will then be completed to address the MOU requirements and stand up the Authority. The PMO will support the Study Groups, Coordinating Group and GLWA Board throughout these milestones. At that point, the PMO will wind down its work and turn over transition management to the GLWA and DWSD-R.



*The GLWA website ([www.glwater.org](http://www.glwater.org)) is one source of information to monitor progress on formation of the GLWA and DWSD-R.*

## PMO Builds on Wholesale Customer Outreach Process

DWSD and its wholesale customers have worked closely together in an outreach process for nearly 20 years. The PMO has been building on this process in practices and participants. A mix of DWSD, customers and consultants are working together as an integrated team. Natural leadership is being used in the Study Groups with everyone sharing responsibility for completing the work. Professional facilitators are used to ensure open discussions, listening and maximum participation in Study Groups. Finally, a portal called Basecamp is being used for digital documentation and as an important tool for Study Groups, the Coordinating Group and the GLWA Board to keep abreast of activities.

Confidentiality is a key area that differentiates the GLWA stand-up process. During development of the MOU, flow of information to stakeholders was limited by a federal order. As the GLWA is stood up, some information will be protected for financial and legal reasons. New mediation orders are likely to protect specific discussions and negotiations while providing a level of transparency necessary to generate public support for this effort.

Wholesale customers who are not involved in the effort but want to hear regular progress updates should attend the TAC and Steering Committee meetings held every two months; dates are posted on the outreach portal calendar at [www.dwsdoutreach.org](http://www.dwsdoutreach.org). The GLWA website ([www.glwater.org](http://www.glwater.org)) includes information from GLWA Board meetings in the transparency section.

"Area leaders, subject matter experts and key staff involved in delivery of water and sewer services are diligently working together to stand up the GLWA," summarizes the PMO's Rothstein. "This initiative provides new opportunities for regional collaboration on water resources that will be remembered for decades to come."





## GREAT LAKES WATER AUTHORITY

### Frequently Asked Questions

#### **Who is responsible for setting wholesale water and sewer rates for FY 2015-2016?**

*DWSD recommends the annual FY 2015-2016 budget and charges to the DWSD Board of Water Commissioners for formal approval. Once approved, these charges are conveyed to wholesale customers to be used to set rates for their retail customers.*

#### **Didn't the Memorandum of Understanding (MOU) promise that rates would be capped at 4%?**

*No, the MOU has capped the budget (i.e. Revenue requirement) increases at 4%, not the individual wholesale customer rate increases. The GLWA MOU reads (emphasis added): "Each system, as a whole, is assumed to experience revenue requirement increases of not more than 4% for each of the first ten years under Authority management. The rates and percentage increases for different customers may vary in order to meet their specific revenue requirements."*

*It is important to note that there was zero increase to the DWSD budget for Fiscal Year 2015-16.*

#### **What is unique about FY 2015-2016 Wholesale Rate Setting Discussions?**

*For FY 2015-2016, DWSD utilized customer's 24 month average water sales in the allocation of individual revenue requirement. This was necessary because projected water sales were far below actual and has negatively affected DWSD revenue projections. In addition, the City of Flint exited from the system two years earlier than initially planned resulting in lower than expected sales volume and revenue in the current year. A primary goal this year is to collaboratively bring the forecasts into alignment with actual experience.*

*DWSD also increased the fixed cost charge component to 60%. DWSD's costs are 90% fixed but had only recovered 40% of its costs through fixed charges, the rest were recovered through commodity sales.*

*During this budget season, DWSD has significantly increased its educational efforts regarding its charges. More meetings than usual occurred with various Boards and customer groups. Several communication pieces have also been distributed to regional stakeholders and local media.*

#### **How does this affect the individual retail rate that I pay for water and sewer services to my community?**

*Your community sets the individual retail charges for water and sewer. There is a layer of activities that lead to the development of retail customer rates:*

- 1) Set DWSD Budget →*
- 2) Determine DWSD Total Revenue Requirement →*
- 3) DWSD Allocates Individual Wholesale Community Revenue Requirement →*
- 4) Community or County Set Budget and Allocate Revenue Requirement →*
- 5) Community or County Set Individual Retail Rates.*



## GREAT LAKES WATER AUTHORITY

### How does GLWA fit into the FY 2015-2016 Budget?

*The GLWA Board is actively engaged with DWSD, the DWSD Board of Water Commissioners, and the customers but has no authority over the Fiscal Year 2015-16 budget.*

### What is the timeline for GLWA to assume operational responsibility for the regional water and sewer operations from DWSD?

- *Appoint a GLWA Board – completed Dec. 12, 2014*
- *Appoint a GLWA CEO – interim appointment Jan. 2015 (Sue McCormick appointed as Interim CEO Jan. 7, 2015)*
- *Achieve bondholder consent – May 2015*
- *Complete Water Residential Assistance Program (WRAP) design - May 2015*
- *Lease and Shared Services Agreements executed – June 2015*
- *Launch GLWA and DWSD-R – July 1, 2015*
  - *GLWA Board will assume operating responsibility of the regional systems.*
  - *DWSD-R will assume operational responsibility for the Detroit retail system. (DWSD-R is used to denote the **new** DWSD organization with responsibility for the Detroit retail water and sewer system operations.)*
- *Shared Services Center will continue to be responsible for transitional functions (i.e. IT, HR).*

### Who is responsible for achieving these milestones?

*A Program Management Office (PMO) has been created to bring together the appropriate City of Detroit, DWSD, consultants, and customers to lead the functional teams to achieving these milestones. The PMO is led by Eric Rothstein of Galardi Rothstein Group and is being supported by OHM Advisors and Project Innovations.*

### What is the mechanism that will be used to reach the milestones?

*Various study groups have been established to determine the best alternatives for the sharing or separating of each functional area to reach the milestones. A Coordinating Group reviews study group deliverables, monitors the master program schedule progress and provides the GLWA Board with information for decision making.*

#### **DWSD-R currently has five study groups:**

- *Information Technology*
- *Operations (includes Capital Investment Program, Security)*
- *Customer Service (includes Billing, Collections)*
- *Human Resources*
- *Finance (includes Rates, Legal)*

#### **GLWA has four study groups:**

- *Finance*
- *Human Resources*
- *Operations*
- *Stakeholder Engagement*



## GREAT LAKES WATER AUTHORITY

### **How many wholesale customer communities are involved?**

*Volunteer involvement continues to grow with approximately 20 wholesale customer communities with 50 plus representatives currently involved in the effort.*

### **Will the GLWA honor the water/sewer contract that my city/township/village has with DWSD?**

*Yes. The GLWA intends to honor the language in the MOU related to current contracts between suburban communities and the City of Detroit: "Unless otherwise agreed by the parties, the City will assign all customer contracts to the Authority, which shall assume the same."*

### **What is the Water Residential Assistance Program (WRAP) and what are the key steps to create it?**

*The MOU establishes an assistance program for those eligible customers receiving water and sewer services from GLWA, which includes customers in the City of Detroit, and the counties of Genesee, Lapeer, Macomb, Monroe, Oakland, St. Clair, Washtenaw and Wayne. Each year, GLWA will set aside 0.5 percent of its budgeted revenue (presently \$4.5M for FY 2015-16) to fund a program to help low income residential water and sewer customers with paying their bills.*

*Four work teams comprised of local organizations, community assistance agencies and community action groups meet weekly to set the framework for this program. The program will provide payment assistance and a water usage efficiency program to address plumbing issues.*

*The WRAP Program will be presented to the GLWA Board in the May/June timeframe for approval. A key component under development is a comprehensive, multi-lingual outreach plan to provide information to the residential customers across the region in need of payment assistance.*

# Attachment 1

## SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY

### BUDGET ANALYSIS

JULY 1, 2014 THROUGH MARCH 31, 2015

	ESTIMATED REVENUES	ACTUAL REVENUES	VARIANCES OVER OR UNDER
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$11,922,000.00	\$10,785,540.55	(\$1,136,459.45)
SALE OF WATER OTHERS	6,720,000.00	5,109,830.44	(1,610,169.56)
	<u>\$18,642,000.00</u>	<u>\$15,895,370.99</u>	<u>(\$2,746,629.01)</u>
<u>OTHER INCOME</u>			
RENTALS	\$79,100.00	\$54,113.22	(\$24,986.78)
WATER ANALYSIS-LAB & MISC.	7,000.00	1,337.41	(5,662.59)
GRANT REVENUE	14,850.00	0.00	(14,850.00)
INTEREST ON INVESTMENTS	30,400.00	22,127.26	(8,272.74)
	<u>\$131,350.00</u>	<u>\$77,577.89</u>	<u>(\$53,772.11)</u>
<u>TOTAL REVENUES</u>	<u>\$18,773,350.00</u>	<u>\$15,972,948.88</u>	<u>(\$2,800,401.12)</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$11,485,000.00	\$10,226,954.91	(\$1,258,045.09)
WATER PURCHASE IN TRANSIT	4,592,000.00	4,611,124.43	19,124.43
POWER, PUMPING & GROUNDS WEBSTER	461,287.12	375,649.77	(85,637.35)
POWER, PUMPING & GROUNDS	217,530.00	126,886.18	(90,643.82)
COMPUTER OPERATIONS	51,150.06	48,145.69	(3,004.37)
PURIFICATION	58,899.97	62,751.54	3,851.57
METERS & MAINS	90,300.06	92,731.34	2,431.28
ADMINISTRATIVE & GENERAL	856,220.00	679,105.95	(177,114.05)
	<u>\$17,812,387.21</u>	<u>\$16,223,349.81</u>	<u>(\$1,589,037.40)</u>
<u>FIXED CHARGES</u>			
INTEREST ON BONDS	\$14,875.00	\$14,875.00	\$0.00
BOND MATURITIES	0.00	0.00	0.00
	<u>\$14,875.00</u>	<u>\$14,875.00</u>	<u>\$0.00</u>
TOTAL EXPENSES	<u>\$17,827,262.21</u>	<u>\$16,238,224.81</u>	<u>(\$1,589,037.40)</u>
NET INCOME BEFORE DEPRECIATION	<u>\$946,087.79</u>	<u>(\$265,275.93)</u>	<u>(\$1,211,363.72)</u>



# Attachment 1

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY  
COMPARATIVE STATEMENT OF INCOME  
JULY 1, 2014 THROUGH MARCH 31, 2015

	AMOUNT	2014/15 AVERAGE PER 1,000 CUBIC FEET	2013/14 AVERAGE PER 1,000 CUBIC FEET
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$10,785,540.55	\$14.4600	\$13.9000
SALE OF WATER OTHERS	5,109,830.44	25.4800	24.5000
	<u>\$15,895,370.99</u>	<u>\$16.7951</u>	<u>\$16.2889</u>
<u>OTHER INCOME</u>			
RENTALS	\$54,113.22	\$0.0572	\$0.0938
LAB & MISCELLANEOUS	1,337.41	0.0014	0.0096
INTEREST ON INVESTMENTS	22,127.26	0.0234	0.0301
	<u>\$77,577.89</u>	<u>\$0.0820</u>	<u>\$0.1335</u>
TOTAL REVENUES:	<u>\$15,972,948.88</u>	<u>\$16.8770</u>	<u>\$16.4224</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$10,226,954.91	\$10.8058	\$10.0809
WATER PURCHASE IN TRANSIT	4,611,124.43	4.8721	4.5154
POWER, PUMPING & GROUNDS WEBSTER	375,649.77	0.3969	0.3857
POWER, PUMPING & GROUNDS	126,886.18	0.1341	0.1471
COMPUTER OPERATIONS	48,145.69	0.0509	0.0461
PURIFICATION	62,751.54	0.0663	0.0557
METERS & MAINS	92,731.34	0.0980	0.0721
ADMINISTRATIVE & GENERAL	679,105.95	0.7175	0.7187
BOND INTEREST	14,875.00	0.0157	0.0288
	<u>\$16,238,224.81</u>	<u>\$17.1573</u>	<u>\$16.0505</u>
INC. BEFORE DEPRECIATION	(\$265,275.93)	(\$0.2803)	\$0.3718
DEPRECIATION	\$373,328.01	\$0.3945	\$0.3734
NET INCOME	<u>(\$638,603.94)</u>	<u>(\$0.6747)</u>	<u>(\$0.0017)</u>

# Attachment 1

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY  
STATEMENT OF REVENUES & EXPENDITURES  
COMPARED WITH TOTAL BUDGET  
JULY 1, 2014 THROUGH MARCH 31, 2015

	TOTAL BUDGET 2014/15	ACTUAL 9 MONTHS	BALANCE	PER CENT REC'D OR EXPENDED
<u>REVENUES</u>				
<u>OPERATION</u>				
SALE OF WATER	\$15,756,000.00	\$10,785,540.55	\$4,970,459.45	68.45%
SALE OF WATER OTHERS	8,790,600.00	5,109,830.44	3,680,769.56	58.13%
	<u>\$24,546,600.00</u>	<u>\$15,895,370.99</u>	<u>\$8,651,229.01</u>	64.76%
<u>OTHER INCOME</u>				
RENTALS	\$108,000.00	\$54,113.22	\$53,886.78	50.10%
LAB & MISCELLANEOUS	10,000.00	1,337.41	8,662.59	13.37%
GRANT REVENUE	20,000.00	0.00	20,000.00	0.00%
INTEREST ON INVESTMENTS	40,000.00	22,127.26	17,872.74	55.32%
	<u>\$178,000.00</u>	<u>\$77,577.89</u>	<u>\$100,422.11</u>	43.58%
TOTAL REVENUES:	<u>\$24,724,600.00</u>	<u>\$15,972,948.88</u>	<u>\$8,751,651.12</u>	64.60%
<u>EXPENSES</u>				
WATER PURCHASED FOR RESALE	\$21,236,000.00	\$10,226,954.91	\$11,009,045.09	48.16%
WATER PURCHASE IN TRANSIT	0.00	4,611,124.43	(4,611,124.43)	0.00%
POWER, PUMPING & GROUNDS WEBSTER	622,500.00	375,649.77	246,850.23	60.35%
POWER, PUMPING & GROUNDS	292,200.00	126,886.18	165,313.82	43.42%
COMPUTER OPERATIONS	68,200.00	48,145.69	20,054.31	70.59%
PURIFICATION	85,200.00	62,751.54	22,448.46	73.65%
METERS & MAINS	120,400.00	92,731.34	27,668.66	77.02%
ADMINISTRATIVE & GENERAL	1,033,600.00	679,105.95	354,494.05	65.70%
BOND INTEREST	29,750.00	14,875.00	14,875.00	0.00%
TOTAL EXPENDITURES	<u>\$23,487,850.00</u>	<u>\$16,238,224.81</u>	<u>\$7,249,625.19</u>	69.13%
NET INCOME BEFORE DEPRECIATION	\$1,236,750.00	(\$265,275.93)	\$1,502,025.93	-21.45%
DEPRECIATION	\$497,770.58	\$373,328.01	\$124,442.57	75.00%

# Attachment 1

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY  
COMPARATIVE STATEMENT JULY 1, 2014 THROUGH MARCH 31, 2015

	2014/15	2013/14	OVER OR (UNDER)
<u>REVENUES</u>			
<u>OPERATION</u>			
SALE OF WATER	\$10,785,540.55	\$10,802,865.94	(\$17,325.39)
SALE OF WATER OTHERS	5,109,830.44	5,539,684.24	(429,853.80)
	<u>\$15,895,370.99</u>	<u>\$16,342,550.18</u>	<u>(\$447,179.19)</u>
<u>OTHER INCOME</u>			
RENTALS	\$54,113.22	\$94,113.22	(\$40,000.00)
LAB & MISCELLANEOUS	1,337.41	550.00	787.41
GRANT REVENUE	0.00	9,108.75	(9,108.75)
INT. ON INVESTMENTS	22,127.26	30,149.01	(8,021.75)
	<u>\$77,577.89</u>	<u>\$133,920.98</u>	<u>(\$56,343.09)</u>
TOTAL REVENUES	<u>\$15,972,948.88</u>	<u>\$16,476,471.16</u>	<u>(\$503,522.28)</u>
<u>EXPENSES</u>			
WATER PURCHASED FOR RESALE	\$10,226,954.91	\$10,114,157.72	\$112,797.19
WATER PURCHASE IN TRANSIT	4,611,124.43	4,530,243.84	80,880.59
OPERATING EXPENSES	1,385,270.47	1,430,178.59	(44,908.12)
FIXED CHARGES	14,875.00	28,881.25	(14,006.25)
TOTAL EXPENSES	<u>\$16,238,224.81</u>	<u>\$16,103,461.40</u>	<u>\$134,763.41</u>
NET INCOME	(\$265,275.93)	\$373,009.76	(\$638,285.69)

# Attachment 1

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY  
TOTAL CHARGES JULY 1, 2014 THROUGH MARCH 31, 2015

<u>MUNICIPALITY</u>	<u>WATER CONSUMPTION CUBIC FEET</u>	<u>TOTAL WATER CHARGES</u>
BERKLEY	34,158.200	\$493,927.58
BEVERLY HILLS	28,357.400	\$410,048.01
BINGHAM FARMS	7,275.600	\$105,205.18
BIRMINGHAM	81,936.700	\$1,184,804.69
CLAWSON	28,396.800	\$410,617.73
HUNTINGTON WOODS	16,123.100	\$233,140.05
LATHRUP VILLAGE	11,941.900	\$172,679.87
PLEASANT RIDGE	7,749.700	\$112,060.66
ROYAL OAK	185,736.100	\$2,685,744.02
SOUTHFIELD	332,705.100	\$4,810,915.75
DETROIT ZOO & RACKHAM	11,507.400	\$166,397.01
MEMBERS TOTAL:	745,888.000	\$10,785,540.55
BLOOMFIELD HILLS	37,900.554	965,706.12
BOOOMFIELD TOWNSHIP	<u>162,642.242</u>	<u>4,144,124.33</u>
NON-MEMBERS TOTAL:	200,542.796	5,109,830.44
TOTAL:	<u>946,430.796</u>	<u>\$15,895,370.99</u>

# Attachment 1

SOUTHEASTERN OAKLAND COUNTY WATER AUTHORITY IMPROVEMENT FUND  
JULY 1, 2014 THROUGH MARCH 31, 2015

## FIXED ASSET EXPENDITURES

Water Meter Project	3,676.85
Webster Administrative Office Remodel	562.50
Webster Tank Painting	<u>339,461.60</u>
<b>TOTALS:</b>	<b>\$343,700.95</b>



Berkley • Beverly Hills • Birmingham • Clawson • Ferndale • Hazel Park • Huntington Woods • Lathrup Village • Oak Park • Pleasant Ridge • Royal Oak • Troy

## QUARTERLY REPORT APRIL 2015

BOARD OF TRUSTEES	
Representative	Municipality
J. Bais-DiSessa	City of Berkley
C. Wilson	Village of Beverly Hills
L. Wood	City of Birmingham
M. Pollock	City of Clawson
L. Cureton	City of Ferndale
A. LeCureaux	City of Hazel Park
A. Sullivan	City of Huntington Woods
M. Baumgarten	City of Lathrup Village
R. Fortura	City of Oak Park
S. Pietrzak	City of Pleasant Ridge
G. Rassel	City of Royal Oak
T. Richnak	City of Troy

OFFICERS	
Chairman:	G. Rassel
Vice Chair:	C. Wilson
Secretary:	T. Richnak
Advisory Committee:	C. Wilson G. Rassel

J. A. McKeen	General Manager
R. Jackovich	Operations Manager

April 2015

Board of Trustees  
SOCRRA

Subject: Quarterly Report – April 2015

Board Members:

Attached is a copy of SOCRRA's Quarterly Report, covering the first nine months operation of the fiscal year 2014/15. The report contains a financial statement of the Authority's operation and an outline of projects in progress or completed during the quarter. The report also contains statistical information and other information of general interest to the members of the Board of Trustees, and the members of the governing body of each of the member municipalities of this Authority.

## **FINANCIAL STATEMENT**

The total net income for the first 9 months of 2014/15 was \$866,660 before capital expenses and depreciation, which is \$265,027 more than budgeted. This is \$558,531 more than the net income reported for the first nine months of 2013/14.

	<u>Actual</u>		<u>Compared to Budget</u>
Revenue	\$17,854,933	+	\$3,036,986
Expenses	\$16,988,273	+	\$2,771,959
Net Operating Income	\$ 866,660	+	\$ 265,027

Revenue was higher than planned due to increased revenue from the member communities due to the flood debris (+\$2,947,000), non-member refuse revenue from Car Trucking, Rizzo Services and Tringali Sanitation (+\$326,000), non-member yard waste revenue (+\$32,000) and compost sales (+\$27,000). These increases were partially offset by lower than planned prices for our recycled materials (-\$282,000) and lower than planned miscellaneous revenue (-\$7,000). Additional information on the prices for our recycled materials is in the Major Projects area of this report.

Expenses were above budget primarily due to higher than planned costs for contractor expenses (+\$2,740,000) and labor (+\$140,000) most of which are due to the August flooding and utilities (+\$17,000), which were partially offset by lower than planned costs for non-labor Administrative and General Expenses (-\$78,000), maintenance (-\$46,000).

Additional financial detail is attached.

As of March 31, 2015, our working capital was 10.0% based on unrestricted assets. This is above the 7.5% working capital goal approved by the Board but was a decrease from the 11.1% working capital as of March 28, 2014.

## **MATERIAL HANDLED**

The Authority processed 172,125 tons of refuse, yard waste and recyclables during the first nine months of the current fiscal year. This represents an increase of 18.6% or 26,962 total tons compared to the same period last year. This is the highest tonnage that we have handled over the last 5 years. Refuse tonnages from the member communities and from non-members increased significantly due to the August 2014 flood disaster. Recycling tonnage decreased by 2.3% from 2013/14 largely due to the recycling that was not collected during the flood disaster.

### **July 1 Through March 31**

	2010/11	2011/12	2012/13	2013/14	2014/15
Member Refuse	77,139	79,207	75,237	76,066	100,063
Non-Member Refuse	21,596	18,526	20,837	22,271	26,421
Member Recycling	12,716	13,079	13,279	13,449	13,137
Non-Member Recycling	941	353	321	377	352
Yard Waste	<u>29,063</u>	<u>30,890</u>	<u>29,930</u>	<u>33,000</u>	<u>32,152</u>
TOTAL	141,455	142,055	139,654	145,163	172,125

## **CAPITAL EXPENDITURES**

Capital expenditures for the first nine months of the fiscal year totaled \$211,783 and were for replacement of the container feed conveyor at the MRF (\$57,000), partial payments for a new loader at the Transfer Station (\$50,000) and for the Scarab compost turner at the compost site (\$52,000), a portable paper shredder for use at events in the member communities (\$15,000), a used tractor for the Transfer Station (\$14,000), a replacement door at the Transfer Station (\$10,000), the replacement of the metal coping at the baler feed conveyor (\$9,000) and cement replacement at the Transfer Station driveway (\$5,000).

## **MAJOR PROJECTS**

### **AUGUST FLOOD DISASTER**

The August 2014 flood disaster was the major event for SOCRRA in the first three quarters of the 2014/15 fiscal year. Collecting and disposing of the massive amounts of debris generated by the flooding was a major challenge for SOCRRA and our collection and disposal contractors. These efforts also incurred huge expenses, which are included in the financial results discussed above and in the attached financial statements.

SOCRRA participated in many meetings with FEMA personnel in the second quarter of the 2014/15 fiscal year. Working with FEMA, we were able to develop a methodology of identifying incremental debris tonnage, collection costs and disposal costs for SOCRRA and for the 9 member communities that were affected by the August flooding. Individual invoices were



prepared for each member community, with all of the back-up material requested by FEMA, and were submitted to each community during October. Each of the 9 communities then submitted a reimbursement request to FEMA. Under the FEMA guidelines, the communities should be able to receive reimbursement for up to 85% of their debris removal costs. As of the end of March 2015, none of the communities have received reimbursement from FEMA.

The SOCRRA Board approved a two month loan of \$1 million from SOCWA, at the prime rate, to allow SOCRRA to pay contractor invoices while we were awaiting payments from the member communities. This loan was paid back in January, 2015. The financial statements attached to this report contain all of the costs and revenues from the flood event.

An event like this offers a great learning opportunity. SOCRRA is reviewing how we handled every aspect of our operations, including the operations of our contractors, during this event. We will be preparing disaster response plans that should help us respond to the next disaster.

### **RECYCLED COMMODITY PRICES**

The prices that we receive for our recycled paper and plastic products have been fairly stable, but at a very low level. Prices have been consistently below the level used to prepare our budget and below the prices that we received last fiscal year. Revenue from the sale of recycled materials is under budget by \$282,000.

### **PROCESSING MATERIALS FROM OTHER COMMUNITIES**

Car Trucking, Rizzo Services and Tringali Sanitation are continuing to bring us a significant amount of refuse from outside of the SOCRRA communities. The volume of our cash sales business has also increased significantly in recent months. The incremental revenue from our non-member customers helps us to offset the fixed costs of running the Troy Transfer Station.

### **STYROFOAM RECYCLING**

SOCRRA began accepting Styrofoam for recycling at our recycling drop-off center in Troy on December 1, 2014. Dart Industries, which is located in Mason, MI, will be picking up the recycled Styrofoam on a no cost/no pay basis for a 6 month trial period. Thus far, Styrofoam recycling has gone very well. Dart is picking up the collected material every other week and they have not had any quality concerns with the material that we have collected. Many of our residents are delighted that we are now recycling Styrofoam. We will not be accepting Styrofoam as part of our curbside recycling program.

### **COLLECTION AND DISPOSAL CONTRACTS**

SOCRRA's current collection and disposal contracts all expire on June 30, 2017. Each of these contracts allow SOCRRA to extend them for a second ten year term, at SOCRRA's sole discretion. SOCRRA General Counsel Bob Davis and I have completed our meetings with each SOCRRA Board member and we will be meeting with the Board to discuss how we should proceed with the renewal term of the contracts. Mr. Davis and I will be bringing potential revisions to the collection contracts to the May meeting for review by the Board.

### **ELECTRONICS RECYCLING CONTRACT**

SOCRRA conducted an RFP for electronics recycling beginning on February 1, 2015. We sent the RFP document to over 40 vendors but received only 5 responses. Our current contractor, Vintage Tech, supplied the best proposal. We are continuing to discuss how Vintage Tech will support the SOCRRA staff to provide special event recycling at events hosted by the member communities. If your community would like to conduct an electronics recycling event this summer, please contact the SOCRRA office. This spring, Vintage Tech will be recycling electronics at events in Ferndale, Clawson, Hazel Park, Huntington Woods, Oak Park and Royal Oak.

### **MDEQ RECYCLING AWARDS AND RECYCLING GRANTS**

The MDEQ has significantly increased their interest in recycling since the Governor announced the goal of doubling the level of recycling in Michigan in the next two years. The MDEQ is conducting a Recycling Awards program. SOCRRA submitted award applications for each of the 12 member communities and for SOCRRA as a whole. The winners will be announced at the Governor's Recycling Summit, which is being held on May 5, 2015. The MDEQ is also offering Pollution Prevention grants totaling \$600,000 for recycling improvement activities. SOCRRA and the member communities submitted 5 grant applications for a total amount of \$302,000. The grants are also expected to be announced at the Governor's Recycling Summit.

This increased level of State involvement in recycling has also identified some potential opportunities of funding recycling improvements at SOCRRA. We are working with the MDEQ to explore these opportunities.

Respectfully submitted,

Jeffrey A. McKeen, P.E.  
General Manager

# Attachment 2

SOCRRA  
STATEMENT OF INCOME  
JULY 1, 2014 THROUGH MARCH 31, 2015

<u>REVENUES</u>	<u>ESTIMATED</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
MEMBER SERVICES	\$12,789,747.00	\$15,736,531.97	\$2,946,784.97
NON-MEMBER REFUSE	700,000.00	1,025,802.90	325,802.90
NON MEMBER YARD WASTE	47,000.00	78,694.05	31,694.05
	<u>\$13,536,747.00</u>	<u>\$16,841,028.92</u>	<u>\$3,304,281.92</u>
<u>RECYCLING</u>			
NEWSPAPERS	\$420,000.00	\$319,203.68	(\$100,796.32)
BOXBOARD	140,000.00	103,772.22	(\$36,227.78)
CARDBOARD	48,000.00	39,072.70	(8,927.30)
PLASTIC	322,000.00	265,597.57	(56,402.43)
SCRAP METAL	71,500.00	46,267.32	(25,232.68)
TIN CANS	109,500.00	61,234.35	(48,265.65)
NON FERROUS METAL	12,000.00	6,890.88	(5,109.12)
GLASS	8,500.00	2,205.75	(6,294.25)
BATTERIES	2,800.00	2,497.00	(303.00)
USED ELECTRONICS	13,000.00	18,090.22	5,090.22
	<u>\$1,147,300.00</u>	<u>\$864,831.69</u>	<u>(\$282,468.31)</u>
<u>OTHER</u>			
REVENUES-COMPOST	\$29,000.00	\$56,347.20	\$27,347.20
INTEREST ON INVESTMENTS	14,900.00	13,842.09	(1,057.91)
RENTAL INCOME	71,000.00	66,547.00	(4,453.00)
GRANTS	0.00	0.00	0.00
MISC. INCOME	19,000.00	12,335.92	(6,664.08)
	<u>\$133,900.00</u>	<u>\$149,072.21</u>	<u>\$15,172.21</u>
TOTAL REVENUES	<u>\$14,817,947.00</u>	<u>\$17,854,932.82</u>	<u>\$3,036,985.82</u>
<u>EXPENSES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCES</u>
	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	
MADISON HEIGHTS FACILITY	\$92,550.00	\$375,996.92	\$283,446.92
TROY TRANSFER FACILITY	1,956,300.00	3,009,966.88	1,053,666.88
MATERIAL RECOVERY FACILITY	892,350.00	942,724.06	50,374.06
HOUSEHOLD HAZARDOUS WASTE	197,650.00	211,561.83	13,911.83
COMPOST/LANDFILL FACILITY	304,000.00	302,749.26	(1,250.74)
ADMINISTRATIVE & GENERAL	937,635.00	847,497.49	(90,137.51)
COLLECTION FEES	7,907,867.00	9,457,704.05	1,549,837.05
COLLECTION & DISPOSAL FEES IN TRANSIT	1,927,962.00	1,840,072.58	(87,889.42)
	<u>\$14,216,314.00</u>	<u>\$16,988,273.07</u>	<u>\$2,771,959.07</u>
REVENUES OVER EXPENSES	\$601,633.00	\$866,659.75	\$265,026.75
NET INCOME BEFORE DEPRECIATION	<u>\$601,633.00</u>	<u>\$866,659.75</u>	<u>\$265,026.75</u>

# Attachment 2

SOCRRA  
STATEMENT OF INCOME  
JULY 1, 2014 THROUGH MARCH 31, 2015

	TOTAL TONS	AMOUNT
<u>REVENUE</u>		
MEMBER SERVICES	100,063.16	\$15,736,531.97
NON-MEMBER REFUSE	26,421.03	1,025,802.90
<u>YARD WASTE</u>		
MEMBERS	31,241.45	0.00
OTHERS	910.46	78,694.05
<u>RECYCLABLES</u>		
MEMBERS	13,136.63	0.00
OTHERS	352.31	0.00
	<hr/>	<hr/>
	172,125.04	\$16,841,028.92
<u>RECYCLING</u>		
NEWSPAPERS		\$319,203.68
BOXBOARD		103,772.22
CARDBOARD		39,072.70
PLASTIC		265,597.57
SCRAP METAL		46,267.32
TIN CANS		61,234.35
NON FERROUS METAL		6,890.88
GLASS		2,205.75
BATTERIES		2,497.00
USED ELECTRONICS		18,090.22
		<hr/>
		\$864,831.69
<u>OTHER</u>		
COMPOST SALES		\$56,347.20
INTEREST ON INVESTMENTS		13,842.09
RENTAL INCOME		66,547.00
GRANTS		0.00
MISC. INCOME		12,335.92
		<hr/>
		149,072.21
		<hr/>
TOTAL REVENUE		<hr/>
		\$17,854,932.82
<u>EXPENSES</u>		
MADISON HEIGHTS FACILITY		\$375,996.92
TROY TRANSFER FACILITY		3,009,966.88
MATERIAL RECOVERY FACILITY		942,724.06
HOUSEHOLD HAZARDOUS WASTE		211,561.83
COMPOST/LANDFILL FACILITY		302,749.26
ADMINISTRATIVE & GENERAL		847,497.49
COLLECTION CONTRACT EXPENSES		9,457,704.05
COLLECTION & DISPOSAL FEES IN TRANSIT		1,840,072.58
		<hr/>
		\$16,988,273.07
NET INCOME BEFORE DEPRECIATION		\$866,659.75
DEPRECIATION		292,987.62
		<hr/>
NET INCOME		<hr/>
		\$573,672.13

# Attachment 2

SOCRRA  
STATEMENT OF REVENUES & EXPENDITURES  
COMPARED WITH TOTAL BUDGET  
JULY 1, 2014 THROUGH MARCH 31, 2015

<u>REVENUES</u>	TOTAL BUDGET <u>2014/15</u>	ACTUAL <u>9 MONTHS</u>	<u>BALANCE</u>	
MEMBERS SERVICES	\$17,053,000.00	\$15,736,531.97	\$1,316,468.03	92%
NON-MEMBER REFUSE	954,000.00	1,025,802.90	(71,802.90)	108%
<u>YARD WASTE</u>				
NON-MEMBERS	70,000.00	78,694.05	(8,694.05)	112%
	<u>\$18,077,000.00</u>	<u>\$16,841,028.92</u>	<u>\$1,235,971.08</u>	
<u>RECYCLABLES</u>				
NEWSPAPERS	\$630,000.00	\$319,203.68	\$310,796.32	51%
BOXBOARD	210,000.00	103,772.22	106,227.78	49%
CARDBOARD	71,000.00	39,072.70	31,927.30	55%
PLASTIC	485,000.00	265,597.57	219,402.43	55%
SCRAP METAL	107,000.00	46,267.32	60,732.68	43%
TIN CANS	164,000.00	61,234.35	102,765.65	37%
NON FERROUS METAL	17,000.00	6,890.88	10,109.12	41%
GLASS	13,000.00	2,205.75	10,794.25	17%
BATTERIES	4,000.00	2,497.00	1,503.00	62%
USED ELECTRONICS	21,000.00	18,090.22	2,909.78	86%
	<u>\$1,722,000.00</u>	<u>\$864,831.69</u>	<u>\$857,168.31</u>	50%
<u>OTHER</u>				
COMPOST SALES	\$60,000.00	\$56,347.20	\$3,652.80	94%
INTEREST ON INVESTMENTS	20,000.00	13,842.09	6,157.91	69%
RENTAL OF HOMES	95,000.00	66,547.00	28,453.00	70%
GRANTS	0.00	0.00	0.00	0%
MISC. INCOME	25,000.00	12,335.92	12,664.08	49%
	<u>\$200,000.00</u>	<u>\$149,072.21</u>	<u>\$50,927.79</u>	75%
 TOTAL REVENUES	 <u><u>\$19,999,000.00</u></u>	 <u><u>\$17,854,932.82</u></u>	 <u><u>\$2,144,067.18</u></u>	 89%

SOCRRA  
STATEMENT OF REVENUES & EXPENDITURES  
COMPARED WITH TOTAL BUDGET  
JULY 1, 2014 THROUGH MARCH 31, 2015

<u>EXPENSES</u>	TOTAL BUDGET <u>2014/15</u>	ACTUAL <u>9 MONTHS</u>	<u>BALANCE</u>	
MADISON HEIGHTS FACILITY	\$96,000.00	\$375,996.92	(\$279,996.92)	392%
TROY TRANSFER FACILITY	3,148,600.00	3,009,966.88	138,633.12	96%
MATERIAL RECOVERY FACILITY	1,192,050.00	942,724.06	249,325.94	79%
HOUSEHOLD HAZARDOUS WASTE	270,200.00	211,561.83	58,638.17	78%
COMPOST/LANDFILL FACILITY	428,900.00	302,749.26	126,150.74	71%
ADMINISTRATIVE & GENERAL	1,256,800.00	847,497.49	409,302.51	67%
COLLECTION & DISPOSAL FEES	12,528,000.00	9,457,704.05	3,070,295.95	75%
COLLECTION & DISPOSAL FEES IN TRANSIT	0.00	1,840,072.58	(1,840,072.58)	0%
	\$18,920,550.00	\$16,988,273.07	\$1,932,276.93	
TOTAL EXPENDITURES	\$18,920,550.00	\$16,988,273.07	\$1,932,276.93	90%
NET INCOME	\$1,078,450.00	\$866,659.75	\$211,790.25	80%

S O C R R A  
COMPARATIVE STATEMENT  
JULY 1, 2014 THROUGH MARCH 31, 2015

# Attachment 2

	<u>2014/15</u>	<u>2013/14</u>	<u>VARIANCES</u>
<u>REVENUES</u>			
MEMBER SERVICES	\$15,736,531.97	\$12,541,998.90	\$3,194,533.07
NON MEMBER REFUSE	1,025,802.90	886,628.32	139,174.58
<u>YARD WASTE</u>			
MEMBERS	0.00	0.00	0.00
OTHERS	78,694.05	63,875.80	14,818.25
	<hr/>	<hr/>	<hr/>
	\$16,841,028.92	\$13,492,503.02	\$3,348,525.90
<u>RECYCLABLES</u>			
NEWSPAPERS	\$319,203.68	\$356,333.09	(\$37,129.41)
BOXBOARD	103,772.22	102,550.74	1,221.48
CARDBOARD	39,072.70	52,597.88	(13,525.18)
PLASTIC	265,597.57	290,053.05	(24,455.48)
SCRAP METAL	46,267.32	61,798.23	(15,530.91)
TIN CANS	61,234.35	83,052.07	(21,817.72)
NON FERROUS METAL	6,890.88	8,665.88	(1,775.00)
GLASS	2,205.75	5,979.25	(3,773.50)
BATTERIES	2,497.00	2,671.15	(174.15)
USED ELECTRONICS	18,090.22	12,360.98	5,729.24
	<hr/>	<hr/>	<hr/>
	\$864,831.69	\$976,062.32	(\$111,230.63)
<u>OTHER</u>			
COMPOST SALES	\$56,347.20	\$32,043.50	\$24,303.70
INTEREST ON INVESTMENTS	13,842.09	15,599.74	(1,757.65)
RENTAL OF HOMES	66,547.00	66,998.00	(451.00)
GRANTS	0.00	0.00	0.00
MISC. INCOME	12,335.92	11,717.85	618.07
	<hr/>	<hr/>	<hr/>
	\$149,072.21	\$126,359.09	\$22,713.12
 TOTAL REVENUES	 \$17,854,932.82	 \$14,594,924.43	 \$3,260,008.39
 OPERATING EXPENSES	 \$16,988,273.07	 \$14,286,795.06	 \$2,701,478.01
 EXCESS	 \$866,659.75	 \$308,129.37	 \$558,530.38
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# Attachment 2

SOCRRA  
TOTAL SERVICE CHARGES  
JULY 1, 2013 THROUGH MARCH 31, 2015

<u>MUNICIPALITY</u>	<u>TOTAL TONS</u>	<u>SERVICE CHARGES</u>
BERKLEY	9,537	\$981,239.77
BEVERLY HILLS	6,172	\$465,545.50
BIRMINGHAM	11,881	\$1,045,294.45
CLAWSON	6,687	\$758,371.22
FERNDAL	12,596	\$1,497,049.07
HAZEL PARK	7,795	\$932,788.49
HUNTINGTON WOODS	6,947	\$623,503.63
LATHRUP VILLAGE	2,142	\$209,114.96
OAK PARK	14,343	\$1,750,541.17
PLEASANT RIDGE	1,827	\$145,481.84
ROYAL OAK	34,087	\$4,064,674.89
TROY	30,427	3,262,926.98
SUB-TOTAL	144,441	\$15,736,531.97
OTHER CUSTOMERS	27,338	\$1,104,496.95
DROP OFF CENTERS	346	0.00
TOTAL	172,125	\$16,841,028.92



# Attachment 2

SOCRRA  
IMPROVEMENT FUND  
JULY 1, 2014 THROUGH MARCH 31, 2015

## EXPENDITURES

TS Driveway Replacement	\$4,672.25
TS Garage Door	9,719.00
TS Auto Car Tractor	14,000.00
MRF New Paper Portable Shredder	14,969.33
MRF Baler Pit Plate	9,090.00
MRF Conveyor Belt	57,059.47
MRF John Deere Loader	50,440.85
CS SCRAB	51,832.22

TOTAL	<hr/>	\$211,783.12
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\$211,783.12